

Future Plans/Objectives

Program Improvements

- **Medicare Part D** Beginning in November 2005, qualified railroad retirement beneficiaries (QRRB's) will be able to enroll in prescription drug plans (PDP) under Medicare Part D. Benefits under Part D will be available beginning January 1, 2006. Low income beneficiaries will be eligible for extra help in paying for monthly premiums, deductibles, and co-payments under Part D. SSA is responsible for determining eligibility for low-income Part D subsidies.

We are working with the Centers for Medicare and Medicaid Services (CMS) and SSA to implement Medicare Part D. Requirements for the RRB include:

- Receive and process Part D plan enrollment, dis-enrollment, and change transactions from CMS.
- Deduct proper Part D premiums from the annuities of QRRB's who enroll in PDP's and elect to have premiums deducted from their monthly benefits.
- Deposit Part D premiums into the Prescription Drug Account within the Federal Supplementary Medical Insurance Trust Fund.
- Send notices to QRRB's when Part D premium deductions begin, end, and/or change.
- Provide beneficiary information and payment information to SSA for use in determining eligibility for prescription drug benefit subsidies.

We are also planning for changes effective in 2007 that require beneficiaries with annual incomes over \$80,000 (\$160,000 for couples) to pay higher Part B premiums. SSA will make determinations as to the amount of an individual's Part B premium. RRB will need to process determination transactions to ensure that proper Part B premiums are deducted or billed each month.

- **Medicare Contracting Reform** On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) was enacted. Section 911 of the Act establishes Medicare Contracting Reform (MCR) that will be implemented over the next several years. Under this provision, CMS is to replace the current Part A Medicare Fiscal Intermediaries and Part B Carriers, using competitive procedures, with new Medicare Administrative Contractors (MAC's) by 2011. The MAC's will handle both Part A and Part B Medicare claims.

The RRB is authorized to contract with a carrier or carriers to provide supplemental medical insurance benefits (Medicare Part B, only) by the Social Security Act, subsection 1842(g). We currently have a nationwide contract with Palmetto GBA to act as the carrier for the RRB's Part B Medicare program. Consequently, the RRB will need to work closely with CMS to meet the new legal contract reform requirements and, at the same time, ensure that our railroad Medicare beneficiaries are not disadvantaged by the implementation of the new MAC's.

- **RRB HelpLine Improvements** We are continuing to work with AT&T to improve the services available to customers who call our toll-free interactive voice response system (i.e., the RRB HelpLine). The most recent service enhancements were implemented in January 2005, and included:

- Revised call menus to incorporate new service options and simplify access to services;
- An option to allow callers to request duplicate Railroad Retirement Act tax statements; and,
- Expanded general information about a variety of subjects, and a new “urgent” announcement service.

Our next phase of enhancements includes changes to verify the identity of callers using the same personal identification number (PIN)/password system developed for the RRB’s Internet MainLine services, or a similar PIN/password system. In connection with this change, we will also provide callers options to establish passwords, change passwords, and request new passwords. These enhancements will provide a higher level of system security, and allow for expansion of services into other areas.

- **Internet Unemployment and Sickness Benefit Services** In 2004, the RRB made applications and claims for unemployment benefits available on-line at www.rrb.gov. In calendar year 2005, the RRB will complete a project to automate the processing of unemployment benefit claims that pass mechanical screening for eligibility. In 2005, the RRB also plans to implement a service enabling unemployment and sickness insurance beneficiaries to view their account statement on-line. The account statement will list recent forms filed and unemployment and sickness benefit payments. In 2006, the RRB plans to implement on-line biweekly claims for sickness benefits.
- **Palmetto GBA Secure Changes of Address (COA) and Death Notifications** Palmetto GBA, the RRB’s Part B Medicare carrier, receives several thousand calls each month from railroad retirement beneficiaries who are reporting an address change, a death of another beneficiary, or requesting a replacement Medicare card. Palmetto receives these calls because of their regular communication with beneficiaries who file claims for payment of Part B medical services. Under current procedure, Palmetto must refer many of these callers to the RRB. The referral is an extra call for the beneficiary, and is a step that many beneficiaries fail to take.

We are now working with Palmetto to develop a secure web-based application for authorized Palmetto customer service representatives to report address changes, deaths, and requests for replacement Medicare cards directly to the agency. The application, which is targeted for completion in Fall 2005, will allow RRB personnel to view the transactions in order to process the reports through RRB systems.

- **Employer Reporting System – Internet site** We continue to add new forms and services to the employer site. In 2005, we are developing the software to add the pre and post payment notices. These are two notices required under the Railroad Unemployment Insurance Act related to the employer’s experience-rated contribution rate. One is a notice to the employer of an employee’s application or claim for benefits. The other is a notice to the employer of the amount of benefits the RRB paid to their employee. These will help to prevent incorrect benefit payments and will allow us to replace 180,000 letters sent to rail employers each year. Following the addition of these two forms, we will implement some security enhancements, coding standardization, and make some changes based on suggestions received from our users.

By the end of 2006, we plan to add a major application which consolidates and integrates 13 forms. The application includes the three annual reports: creditable compensation, gross earnings, and sick pay, as well as several related forms. As part of this project, we will also incorporate changes the RRB is making to two forms which we currently have on the Internet.

Systems and Controls

The RRB continually evaluates the effectiveness and efficiency of its operations using ongoing assessments and reviews of management controls, internal and external audits, quality control and assurance reviews, program integrity activities, and customer satisfaction surveys.

Under the direction of a Management Control Review Committee (MCRC) composed of senior managers from its program, information services, administrative, and financial operations, the RRB has divided these operations functionally into 42 assessable units. The number of assessable units varies from year to year as operations are restructured to accommodate changes precipitated by such factors as new and revised missions, reduced resources, and increased automation.

The mission, key performance indicators, workflow, control objectives and techniques, guidance, automated systems support, impact, and vulnerability of each assessable unit are documented. The RRB maintains and annually updates a 5-year plan for review of the assessable units. The official responsible for each assessable unit prepares an annual assessment of key indicators and open or new issues requiring management's attention. High impact and vulnerable assessable units are scheduled for periodic, in-depth reviews as deemed necessary by the MCRC in consultation with senior management.

During fiscal year 2005, responsible officials performed in-depth reviews of 4 assessable units, assessed all 42, and certified 41. Since passage of the FMFIA in 1982, the RRB has identified 72 material weaknesses and corrected 71. An action plan for elimination of the one open material weakness is being implemented.

The RRB first reported on this material weakness in fiscal year 2002, which relates to deficiencies in the Information Security Program. The critical elements currently attributed to the weakness are risk assessment, testing and evaluation, training of personnel with significant security responsibilities, and the implementation of access controls in both the general support and major application systems. The corrective actions and status for this material weakness are as follows:

Corrective Actions	Status
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Fiscal Year 2002

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|---|--------------|
| 1. Provided updated security awareness training to all employees. | Accomplished |
| 2. Began developing a role-based security training program for all individuals responsible for security related activities and logical access controls. | Accomplished |
| 3. Began resolving audit recommendations associated with logical access controls. | Accomplished |
| 4. Established the Risk Management assessable unit. | Accomplished |

Fiscal Year 2003

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| 1. Completed development of the role-based security training program. | Accomplished |
| 2. Provided some role-based security training. Contractor presented implementation plan. | Accomplished |
| 3. Continued to provide updated security awareness training. | Accomplished |
| 4. Continued to resolve audit recommendations associated with logical access controls as required. | Accomplished |

Fiscal Year 2004

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|---|--------------|
| 1. Continued to provide updated security awareness. | Accomplished |
| 2. Completed required documentation of the Risk Management assessable unit. | Accomplished |
| 3. Developed performance measures. | Accomplished |

Fiscal Year 2005

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| 1. Continued to provide updated security awareness. | Accomplished |
| 2. Continued to provide role-based security training. | Accomplished |

Fiscal Year 2006

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| 1. Resolve four remaining audit recommendations associated with logical access controls; 21 have been resolved to date. | In Progress |
| 2. Verify that performance measures have been incorporated in individual job descriptions and performance plans. | In Progress |
| 3. Complete the Physical and Personnel Security sections of the management control review. | In Progress |
| 4. Continue to provide role-based security training. | In Progress |
| 5. Evaluate the Information Security material weakness. | Planned |

Plans are being formulated to correct the newly identified deficiencies.

Summary of Actuarial Forecast

The Required Supplementary Information section includes the disclosures required by Federal Accounting Standards Advisory Board (FASAB) Statement 17, Accounting for Social Insurance. It presents an actuarial analysis of the financial position of the railroad retirement system as of January 1, 2005. Our intermediate employment assumption is used for the Statement of Social Insurance. The Statement of Social Insurance also presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Although under our intermediate assumption no cash flow problems arise over the period 2005-2079, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to the Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of 3 employment assumptions for the 11 fiscal years 2005-2015. The results indicate that the Railroad Unemployment Insurance (RUI) Account will be solvent during the 11-year projection period except for small, short-term cash-flow problems in 2007 and 2008 under the intermediate and pessimistic assumptions. Repayment of the loans is expected by the end of each fiscal year for the intermediate assumption or by the end of September 2008 for the pessimistic assumption.

Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

1. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).
2. While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
3. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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